

# Exhibit 241

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SEC Commissioner Robert Jackson Fireside Chat

New York Financial Writers Association

<https://www.youtube.com/watch?app=desktop&v=pOIM0y4Hti4&feature=youtu.be>

Audio Runtime: 1:21:15

1 (Beginning of Audio Recording.)

2 MR. PODKUL: -- everyone. While  
3 people are people are still settling down,  
4 we'll get started with some brief  
5 introductory remarks and housekeeping, just  
6 to get started.

7 Thank you all for coming out tonight.  
8 My name is Cezary Podkul. I'm a reporter on  
9 the Wall Street Journal's financial  
10 investigations team, and I'm president of the  
11 New York Financial Writers Association.  
12 Thanks.

13 On behalf of our board and our  
14 membership, we're very happy to have all of  
15 you here, both existing members and -- and  
16 guests and others who have come out for this  
17 event, so really -- it's a great pleasure to  
18 host you here tonight, and we're very excited  
19 to have Commissioner Jackson with us tonight.  
20 And we want to thank you for making the time  
21 to spend the evening with us and share your  
22 views on a wide variety of subjects.

23 And we also want to thank our  
24 executive director, Britt Tunick. Britt, can  
25 you please stand up? Oh, there she is, yeah.

1 I want to thank Britt for putting on this  
2 event, getting this excellent space, and if  
3 any of you have questions about membership or  
4 becoming a member, she is the person to  
5 contact.

6 Before we get started, I just wanted  
7 to quickly get a couple of housekeeping items  
8 out of the way. For those of you who are new  
9 to our events, just want to briefly say a  
10 word or two about the association.

11 You may not know this, but the New  
12 York Financial Writers Association is the  
13 oldest organization devoted to business and  
14 financial journalism in the country. We were  
15 founded in 1938, and each year we do lots of  
16 events, just like this one, where you get a  
17 chance to network, meet newsmakers, attend  
18 book talks, and lots more. If you're into  
19 free apps and drinks, this is your place.

20 We also give out scholarships to  
21 students who are interested in pursuing  
22 careers in business and financial journalism.  
23 I'm a former recipient of a scholarship, and  
24 I think we have a couple more of you in the  
25 room here. So raise your hand. There we go.

1           So each each year we pay out -- this  
2   year I think it's twenty five thousand  
3   dollars to five students, so it's a pretty  
4   hefty scholarship. If you haven't applied  
5   yet, please do, if you're in journalism  
6   school, and we hope to increase that in  
7   future years as our programming allows.

8           And you can help us with all of this  
9   by getting involved. Dues are \$60 a year,  
10   but if you pay today, you can still catch the  
11   early bird pricing, which goes until tax day,  
12   April 15th, today, of \$50 a year. If you're  
13   interested in becoming a member, again, talk  
14   to Britt, grab one of the postcards in the  
15   back, or just check our Twitter at NYFWA. We  
16   just tweeted the link on how to sign up and  
17   become a member on there, and you can follow  
18   us on Twitter, on Facebook, and on our  
19   website for additional information about our  
20   newest events and happenings.

21           So with that piece of housekeeping out  
22   of the way, I'm pleased to introduce  
23   Commissioner Jackson and welcome him to  
24   tonight's event.

25           Since his appointment to the

1 Securities and Exchange Commission in January  
2 2018, Commissioner Jackson has been an  
3 outspoken advocate of bringing greater  
4 transparency and oversight to U.S. capital  
5 markets. He has been a vocal proponent of  
6 the SEC's efforts to study the impact of  
7 limiting stock trading fees and rebates  
8 offered by exchanges, ensuring that exchanges  
9 charge fair and reasonable prices for their  
10 data feeds, and boosting disclosure on dark  
11 pool operators.

12 He has also called on the SEC to  
13 review rules governing stock buybacks by  
14 company insiders. He did that after doing  
15 some research and finding that the percentage  
16 of insiders selling shares more than doubled  
17 immediately following their company's buyback  
18 announcements as many of the stocks popped,  
19 and it's that kind of analysis that has  
20 earned Rob a reputation for trying to bring  
21 rigorous, data-driven, fact-based discussion  
22 to our collective dialogue over the nation's  
23 securities regulations and the SEC's role  
24 overseeing capital markets.

25 It comes from Rob's previous

1 experience in academia at New York University  
2 and Columbia Law School, where he headed up  
3 Columbia's program on corporate law and  
4 policy and has spent a lot of time thinking  
5 about these subjects before being selected by  
6 President Trump to join the Commission last  
7 year.

8           So we're eager to hear your views on a  
9 wide variety of subjects today, and we'll  
10 structure this basically as a fireside chat,  
11 although the fire is out, but let's not --  
12 it's probably a good thing on a day like  
13 today.

14           I'll ask a few questions to get the  
15 conversation started, and then we'll open it  
16 up to all of you to jump in with your  
17 questions. Commissioner Jackson gets quizzed  
18 by second graders whenever he sits in on his  
19 mother's second-grade classroom and fields  
20 many tough questions that are on their mind,  
21 probably some a lot tougher than what we're  
22 going to ask here. So he's used to tough  
23 questions, so start thinking about those now  
24 as we get started with a little bit of Q&A.

25           And one last piece of housekeeping,

1 we'll be keeping this conversation on  
2 background for now. The Commissioner has  
3 said he is happy to go on record with  
4 anything he says here tonight, but he just  
5 asks any press in the room to please contact  
6 him before you run a story on his remarks  
7 tonight. And we'll also post a video on our  
8 website of the remarks tonight and all that  
9 will be on our website within a couple of  
10 days it'll be on record then.

11 So that's a bit of housekeeping out of  
12 the way, and with that we'll just get started  
13 with a couple of prepared questions, and then  
14 we'll jump right into discussion from you all  
15 because we're definitely very eager to hear  
16 what's on all of your minds.

17 So just to kind of kick things off,  
18 very curious before you became an SEC  
19 Commissioner, you were, of course, on the  
20 outside looking in as a legal scholar, as a  
21 professor, academic. From now the year plus  
22 that you've been on the commissioner and  
23 having seen the agency from the inside  
24 looking out, what is the thing you've learned  
25 or a few things you've learned in terms of



1 you didn't realize before about how the  
2 agency thinks, how it acts, how it reacts to  
3 the environment outside?

4 MR. JACKSON: Well, first of all thank  
5 you for that extremely kind introduction.  
6 I'm thrilled to be here --

7 MR. PODKUL: Microphone a little  
8 closer.

9 MR. JACKSON: Is that okay?

10 MR. PODKUL: Perfect. Yep. A

11 MR. JACKSON: I'm thrilled to be here,  
12 and I was telling some of you earlier during  
13 the cocktails that, you know, I started my  
14 career on Wall Street a long time ago at a  
15 firm called Bear Stearns. Not my fault. A  
16 great place, I was very lucky to have great  
17 mentors there, and I remember in the  
18 orientation they would mention the New York  
19 Financial Writers Association, and especially  
20 the follies. And your goal on Wall Street  
21 was to stay out of the follies.

22 MR. PODKUL: It's true.

23 MR. JACKSON: So I don't know what to  
24 make of the fact that I ended up here. We  
25 could talk about that over cocktails.

1 I want to just note that the -- you'll  
2 -- you'll see I'm not long for politics, and  
3 the reason is I wanted to have a very candid  
4 conversation tonight, which is why I had  
5 Cezary give the the caveat he did. Matter of  
6 fact, a couple of weeks ago -- oh did you see  
7 this? CQ did a very nice background on my  
8 fam -- I come from a big Irish Catholic  
9 family, and they described it. We could talk  
10 more about that, if you like.

11 And in the profile -- I sat down with  
12 the guy, and he said something to me, and I  
13 kind of would -- just said to him, yeah, I  
14 couldn't (bleeped) believe it, and he printed  
15 it. Now normally, that wouldn't be that big  
16 a problem, except my mother's still upset  
17 that I didn't become a priest. So -- so  
18 anyway, that's why I like to take a look  
19 whenever I -- whatever I -- make sure I'm not  
20 getting in trouble with my mother.

21 MR. PODKUL: Understood.

22 MR. JACKSON: So you said what are the  
23 things I've learned since I got to the SEC.  
24 So I'll give you -- I'll give you three  
25 things. The first is the place is full of

1 people who dedicated their whole life to  
2 trying to help financial markets work better.  
3 And the reason I start with that is if you're  
4 in this room, you probably have too. I know  
5 a lot of the journalists in this room shine  
6 light on the things they do because they  
7 believe that those things need to be talked  
8 about. And this organization -- but everyone  
9 in the room has seen something in our markets  
10 that's interesting or maybe it's troubling or  
11 maybe it's just something that you didn't  
12 understand and learned about, and you felt  
13 like the -- sort of the Americans that the  
14 market's supposed to work for should  
15 understand that.

16 And you share a lot with the people  
17 who go to work at the SEC every day, and let  
18 me just say there's 4,000 plus staffers.  
19 They were there before I got there. They  
20 will be there long after I got there. These  
21 are the people who really do that work, and  
22 they're really -- they go to work every day  
23 trying to do the right thing, number one.

24 Number two, it's an organization built  
25 by and designed for lawyers, and it is proof

1 that lawyers should not design the world  
2 because it's built in a way that is unlike  
3 any other building I've ever worked in in my  
4 life. And like I said, I worked on the  
5 Street, I worked at Wachtell Lipton for a  
6 while. It's built in a way that is designed  
7 to minimize the risk that people in it take.

8 What I mean by that is it's a building  
9 that systematically it's -- it's -- it's a  
10 place that systematically favors inaction  
11 over action, that takes as gospel that the  
12 fact that we did it this way before is a  
13 reason to do it that way again, and all I'll  
14 say is that haven't worked -- my problem is I  
15 went to business school before I went to law  
16 school. Like those two things -- those two  
17 points I just made if you spend any time in  
18 business sound insane right? It's not the  
19 way a business runs.

20 From a business point of view, if  
21 someone's already doing it that way, it  
22 probably means it's not profitable for you to  
23 do it that way. All right? From a business  
24 point of view, doing nothing can be just as  
25 expensive or more expensive than doing

1 something. And one of the things I try to do  
2 in the -- in the -- okay, let me give you one  
3 example.

4 Any of you ever come to the  
5 headquarters at the SEC, you ever been to the  
6 building? Yeah, all right. So the  
7 management of the building, the  
8 commissioners, where do we sit? Yeah, we sit  
9 on the top floor. Now any other business  
10 I've ever worked for, all right, if you're --  
11 if you work in that business and you run it,  
12 you want to be with the people who make  
13 decisions. Like at Bear, Ace -- Ace  
14 Greenberg used to work on the trading floor,  
15 and he would tell us the reason I do that is  
16 so if I can bump in someone in the bathroom  
17 or on the way to coffee or whatever, I can  
18 say, hey, what do you see in the market  
19 today, what are you learning. Like, that's  
20 how you run a place.

21 But we at the SEC, the commissioners  
22 sit on the top floor because we're in charge  
23 and don't want you to forget it.

24 MR. PODKUL: It's like that with most  
25 government agencies. The top floors.

1 MR. JACKSON: Yeah, and the problem  
2 with that is that if you're like me and you  
3 want to know what (bleep) is going on, it's  
4 kind of hard to find out because the staff  
5 who make the decisions and sit on the floors  
6 below you don't come up to the tenth floor  
7 that often because nothing good happens to  
8 them when they do.

9 So another thing to know about the SEC  
10 is it's a building built by lawyers over 80  
11 plus years. It's a wonderful place, but it's  
12 built in a way that is designed to be  
13 reactive, and that can be tricky on our  
14 financial markets, second.

15 And third, whatever you think about  
16 what's happening in Washington right now, the  
17 SEC in my opinion -- I'm a biased guy because  
18 I'm working there -- but in my opinion, it's  
19 working as well right now as it has for  
20 years. And the reason is that the Chairman I  
21 have, the chairman I work with Jay Clayton,  
22 who I -- I don't always agree with, but I  
23 have great respect for -- is taking the job  
24 as a way to make sure that government runs as  
25 it should.

1           There's just basic things we do at the  
2   SEC that have to happen. If you submit a  
3   registration statement, you need to get  
4   prompt comments. If you are trying to figure  
5   out -- if an exchange wants to make a filing  
6   and understand what the rules of the game are  
7   going to be for whether we're going to  
8   approve it, they need to get a prompt answer.  
9   The government needs to set obvious, clear  
10   expectations for the market so the market can  
11   respond and without -- I don't speak for Jay,  
12   but I think that's a big part of what he  
13   brings to the job, and because of that the  
14   trains do run at the SEC.

15           And frankly, that makes me a very  
16   fortunate guy in Washington because, like I  
17   said, I don't agree with everything the  
18   Chairman does, but I always get heard. I get  
19   a chance to make my pitch. And look, as a  
20   former banker, that's all you could ask for.  
21   You know, I didn't get every mandate either,  
22   but at a minimum I get to go in and say  
23   here's the things I'm focused on, here's why  
24   we should care about them, and at the moment  
25   in the government, I think we can all agree

1 that's not bad, and it's the kind of agency  
2 the markets deserve.

3 MR. PODKUL: So last year, one of the  
4 pitches you made and said one of the things  
5 we should be focusing on was looking at the  
6 rules surrounding corporate stock buybacks,  
7 and it kind of goes to that point I mentioned  
8 in my introductory remarks about the data-  
9 driven mindset that you bring to the job as a  
10 former academic and really studying the data,  
11 understanding it, and crafting rules from  
12 from that.

13 So I understand you've recently asked  
14 your staff to review data on companies'  
15 restatement announcements and how they bundle  
16 some of those with (inaudible). Could you  
17 tell us more about that analysis and what you  
18 found?

19 MR. JACKSON: Sure, yeah, happy.  
20 Maybe I'll talk about both things.

21 MR. PODKUL: Sure.

22 MR. JACKSON: So one thing I do -- so  
23 like basically the way to think about my job  
24 is I'm a fulltime (bleep), and here's the way  
25 I go about that. So because I was a banker



1 and a corporate lawyer, I remember a lot of  
2 the stuff I saw that maybe wouldn't come into  
3 the mind of someone in the government because  
4 they weren't in the markets. So they don't  
5 -- you know what I mean? Like -- and the  
6 people -- trust me the people who come to DC  
7 on behalf of the banks, they don't tell you  
8 -- they give you one side of that story.  
9 They don't tell you all the things that  
10 really go on in the market.

11 So one thing I do is I just document  
12 like obvious things that everyone on Wall  
13 Street knows, and then I give a speech where  
14 I say, hey, this is a thing that's happening,  
15 and you know, I care about it, you should too  
16 because like -- all I'm doing is pointing to  
17 it -- so I'll give you an example.

18 My first speech -- one of my first  
19 speeches when I joined the SEC, when I was a  
20 banker, I took a company public. Everybody  
21 on Wall Street charged. The fee they charged  
22 for taking a company public was exactly seven  
23 percent of the value of the company. It's a  
24 seven percent spread. Everyone's known this  
25 like forever in the history of Wall Street.

1 And you know, if the company was worth less  
2 than a billion dollars and all the companies  
3 I was doing the dotcom boom of the 90s, so  
4 all the companies I were doing were three,  
5 four, five hundred million. You just paid  
6 seven percent.

7 And I remember going out with my  
8 friends on Wall Street in my 20s and being  
9 like this cannot continue. First of all,  
10 there's going to be technological change,  
11 it's going to get cheaper to bring a company  
12 public. But forget about -- this is like --  
13 it's weird it's not seven and a half percent,  
14 it's not six and a half percent, it doesn't  
15 vary by deal. It's seven percent. I was  
16 like that's weird.

17 So when I got to the SEC, I had my  
18 economist look into it. I was like, hey man,  
19 what's the IPO spread these days. He comes  
20 back, and he tells me last year in 2017 the  
21 IPO spread ninety-seven percent of the time  
22 was exactly seven percent. So I gave a  
23 speech, and I was like that's weird because  
24 you guys are capitalists, and it doesn't  
25 sound -- this doesn't sound like competitive

1 pricing to me. So they were like, shh, like  
2 stop telling people (bleep). Yeah, this is  
3 how I get myself in trouble.

4 So I gave a speech -- then stock  
5 buybacks, like, that's a big thing right now.  
6 So forever, everyone on Wall Street has known  
7 for years that the day of a stock buyback  
8 it's very common for the executives at the  
9 company to choose that day to sell their  
10 stock. I always thought that was a little  
11 weird because you're saying two different  
12 things at the same time.

13 On the one hand, you're saying, look,  
14 the stock is cheap. That's why the  
15 shareholders should spend their money buying  
16 it. On the other hand, my personal shares  
17 I'm going to sell them, and CEOs don't sell  
18 cheap things -- expensive things cheaply. So  
19 they're sending two different signals about  
20 the value the company. In fact, this has  
21 been known since there's a paper about this  
22 back in 1992.

23 So when the buybacks issue arose, I  
24 just said, look, let's see -- you know, we  
25 got all these buybacks happening because of

1 the tax cuts. Let's see what's happening  
2 with executive selling, and it turns out that  
3 executives sell on average more than twice as  
4 much stock on the day they announce a buyback  
5 as any other day during the year. And what  
6 they're doing, of course, is they're taking  
7 advantage of the fact that the stock pot --  
8 stock price pops after their announcement and  
9 they're capturing the gains.

10 So I got a question from a US senator  
11 -- and by the way, whenever I do this, I put  
12 the data online. I'm like, look, if you want  
13 to take a look and come to a different  
14 conclusion, 100 percent, take a look. Like  
15 just tell me what you think, and it's a funny  
16 thing because everyone calls me up and  
17 they're like, you know, you suck, stop  
18 telling people this. I go on Squawk Box, and  
19 I talk about it, and they're like shh.

20 But I'm like, look man, the data is  
21 online, just -- just take a look, and tell me  
22 if I'm wrong. I'm very open to that. And  
23 nobody does that, you know what I mean.  
24 Like, so it's kind of -- I don't do -- do  
25 they do that with you?

1 MR. PODKUL: Well, we like to put our  
2 data online too, and we do a massive data  
3 analysis. That's -- that's certainly the  
4 trend in data journalism.

5 MR. JACKSON: But they never, like, do  
6 their own -- I'm like, why don't you run your  
7 own thing and call me up and be like, see, I  
8 found something different. That would be  
9 compelling. Just you suck -- that's not an  
10 argument.

11 MR. PODKUL: Yeah, and then Twitter  
12 wars are legendary.

13 MR. JACKSON: Yeah. So then -- then  
14 they asked me to rerun the analysis, and I  
15 did something else, which I always thought  
16 would be interesting, which is when the CEO  
17 sells at the time of a buyback what the CEO  
18 is sometimes saying is, look, I don't like  
19 the long-run prospects of the company. Not  
20 every CEO is saying that when they sell  
21 stock. They get stock as compensation;  
22 they've got lots of reasons.

23 But a lot of the time, a CEO who's  
24 selling shares is saying I don't love the  
25 long-run prospects of the company. If I did,

1 I would hold the stock. So the Senator asked  
2 us to run this new analysis, and we did. We  
3 showed that in the cases where they do a  
4 buyback and the CEO sells, 90 days after the  
5 -- after this -- after the buyback, the gains  
6 from the buyback disappear. And in fact, the  
7 company underperforms.

8           Whereas, when a buyback is conducted  
9 and the CEO holds the shares, in the long run  
10 the company outperforms. Now again, you  
11 could look at this and say this is totally  
12 unremarkable. All it shows is that CEOs know  
13 a lot about the future of the company, right,  
14 and that's not news to anybody in this room.

15           But I put it out there -- and again I  
16 got -- you saw you know, like stop -- stop  
17 putting data out there. I think this might -  
18 - what's that? Well, so I think there are  
19 folks who would rather not have these facts  
20 out in the ether.

21           MR. PODKUL: Yeah.

22           MR. JACKSON: So no one at the SEC  
23 says this to me, but the CEOs do, and  
24 basically their lobbyists, right. And again,  
25 I just -- they'd do better -- they should

1 hire you. Like get us some -- a data guy to  
2 take a look.

3 So I did another recent thing I  
4 thought you might find interesting, and I  
5 wanted to -- you know, man, whenever I come -  
6 -

7 MR. PODKUL: Yeah.

8 MR. JACKSON: -- to something like  
9 this --

10 MR. PODKUL: Of course, yes.

11 MR. JACKSON: -- I like to have  
12 something new to talk about. So I've been  
13 working on this for a couple of weeks, you  
14 could tell me. Yeah, I got a chart and  
15 everything.

16 MR. PODKUL: Yeah.

17 MR. JACKSON: So one of the  
18 interesting things that's happening in  
19 corporate America right now is when a company  
20 has to disclose that they did that they had a  
21 restatement, like the corrective disclosure  
22 -- hey, we gave you a number a couple of  
23 years ago. It was wrong. A lot of the time  
24 -- so you know, when they disclose that, the  
25 stock price will respond. And in the last 10

1 or 15 years have become very clear that the  
2 stock's drop, to the degree there is one,  
3 will be the measure of damages in a lawsuit  
4 that follows. Does that make sense?

5 So like if there's a stock drop, the  
6 lawyer's going to say, well, that -- the  
7 restatement caused that drop, so those are my  
8 damages. So this hasn't been true for that  
9 long.

10 So what companies have started to do  
11 is bundle good news and bad -- good news and  
12 bad news together, and you all know this  
13 because I'm sure you've had sources over the  
14 years who came to tell you something really  
15 bad but like wrapped it in some good news.  
16 Like they're trying to be like, yeah, I think  
17 I'm getting fired, but you know, time with my  
18 family. You know like -- like -- like -- so  
19 what we -- we did a study where we basically  
20 looked to see how often, when a company  
21 announces a restatement in corporate America,  
22 how often do they wrap it in good news like  
23 the fact that they have new earnings and they  
24 beat expectations.

25 In the year 2000, the answer was less



1    than 5 percent of the time. Last year in  
2    2017, they did it 20 percent of the time, and  
3    it's just a straight increase. They wrap bad  
4    news in good, and the reason they do it is  
5    they think if I wrap bad news in good, the  
6    stock won't fall and the damages will be  
7    zero.

8           And one of the things I'm pushing for  
9    and calling for in the SEC is not to let  
10   corporate managers do this because what I  
11   want is a clean signal from the market. Some  
12   -- look, things go wrong in companies. But  
13   when you disclose it, the market will tell  
14   you what damage was caused, and we shouldn't  
15   let corporate managers control that, right?  
16   Those things should have to be disclosed  
17   separately so you get a clean signal from the  
18   market about what damages have been caused.

19           And if we did that, if we forced  
20   companies when they have a restatement to  
21   come out and say it clean, rather than wrap  
22   it in good news, I think we'd have a much  
23   better functioning market.

24           MR. PODKUL: And we can't do that in  
25   the news business. Our editor would tell us,

1 you know, you're burying the lead. You know,  
2 you got to always lead with the most  
3 important. You can't bundle, you know, too  
4 much stuff in the -- in the lead paragraph.

5 But -- so this is pretty fascinating.  
6 What are you proposing the SEC should do  
7 about this?

8 MR. JACKSON: So we should have a  
9 rule, in my opinion, and you know, I'm open  
10 to all kinds of -- in the details, but we  
11 should have a rule that says you can't stuff  
12 bad news -- wrapped -- in good wrapping. If  
13 you have a restatement you need to make,  
14 you've got to come out with a clean  
15 disclosure that provides that bad news to the  
16 market to see what it's worth.

17 If you want later to add some good  
18 news, okay, but first come out -- come out  
19 with these things separately so we get a  
20 clean signal from the market as to what the  
21 damages really are.

22 Look, another approach, if you really  
23 want to go further, is not to use the stock  
24 price reaction as the measure of damages.

25 Does that make sense? Because then

1 executives wouldn't have this reason to  
2 bundle this all together. But I'll tell you  
3 that idea is not going to be too popular with  
4 my colleagues. They really like the idea of  
5 using this measure. I got feelings about  
6 that.

7 But the short version is if you --  
8 look, this is what bothers me about this. If  
9 you tell corporate managers we're going to  
10 measure the damages by the stock price drop,  
11 then they're going to do things to prevent  
12 the stock price from dropping. I'm not mad  
13 at them. They're just doing what the -- the  
14 incentives are under the law that we have.  
15 That's why we have to change the law to give  
16 them incentives to tell the market the news  
17 cleanly so that we can actually respond to  
18 what's -- what's happened.

19 MR. PODKUL: And on that point while  
20 we're talking about corporate disclosures,  
21 are you a fan of not requiring companies to  
22 report quarterly but making -- maybe making  
23 them report just half a year, every half year  
24 so that managers can focus more in the long  
25 run as opposed to the short term thinking, as

1 the theory goes?

2 MR. JACKSON: Long-termism, short-  
3 termish. What do you guys think of this?  
4 You guys don't get to see this. It's very  
5 funny, but someone in the back just literally  
6 went.

7 So did you first of all, did you guys  
8 see -- the President himself tweeted on the  
9 subject.

10 MR. PODKUL: Yes.

11 MR. JACKSON: He met with the CEO of  
12 Pepsi, whom I know -- she's an extraordinary  
13 leader, actually. He met with her, and she  
14 mentioned it, and so he tweeted, you know,  
15 the short-termism quarterly thing might be a  
16 real problem. SEC needs to look into it.

17 And of course, like, it was a funny  
18 thing because for the next three days, my  
19 phone was -- like people were like he tweeted  
20 about -- about the SEC. But you know, it's  
21 unbelievable the news that this guy creates -  
22 - it just -- it's incredible, yeah.

23 Now, the good news is the SEC had been  
24 looking into this subject for a long time,  
25 and we've been studying for a long time

1 whether we should change the frequency of  
2 reporting. Here's my two cents.

3 MR. PODKUL: Sure.

4 MR. JACKSON: I think, in general, if  
5 you're going to convince me that quarterly  
6 reporting is leading to a problem like this,  
7 you have to convince me there's a market  
8 failure. In other words, you have to  
9 convince me that giving people information  
10 causes them to make bad decisions, and that  
11 is not my intuition, right? My intuition is  
12 you give people information to make better  
13 decisions, and that -- you know, that's --  
14 that's not me that's like Brandeis.

15 But I will say the following -- one  
16 thing has happened that we should all think  
17 about, and people in this room -- because  
18 this organization has great history -- should  
19 think about it. Remember that earnings --  
20 quarterly -- forgetting about the 10-q and  
21 quarterly reporting, I don't think that's  
22 actually the important -- where -- where the  
23 action is here. I think where the action is  
24 is in the quarterly earnings guidance and the  
25 earnings call that happens.

1 Remember, guys, this is not always how  
2 this worked, right? It wasn't always that  
3 the CEO guided to it multiple times a quarter  
4 and then you had the call and you kind of  
5 tried to get a sense on the call how  
6 confident does this guy feel and does he  
7 really feel like he's doing well. It wasn't  
8 always like that. This practice grew up over  
9 time partly because investors wanted it.  
10 They wanted to know are you going to hit this  
11 bogey that you've set.

12 But we haven't looked at that at the  
13 SEC in a long time. Also remember the  
14 analyst settlements from 2003 are now 15  
15 years old. We haven't looked for a long time  
16 at how well that's working, whether analysts  
17 still have conflicts, what kind of feedback  
18 they give at the earnings call, how much  
19 earnings pressure there is. I'm open to  
20 looking at that.

21 I will say something does disappoint  
22 me in the journalistic coverage of this. So  
23 in my office, the thing we talked about the  
24 day the President tweeted about it was the  
25 incredible irony of describing a problem of

1 short-termism on Twitter, and nobody wrote  
2 about that. Come on, man.

3 MR. PODKUL: I -- I -- I'm a long-term  
4 focus journalist so I'm very sorry, I -- my  
5 stories take months.

6 But speaking of bringing information  
7 to people so they can make better decisions,  
8 you know, the SEC is doing an exercise like  
9 that of its own. It's called the transaction  
10 fee pilot, which for any of you in the room  
11 who aren't familiar with it, it's a huge  
12 first-of-its-kind data gathering and analysis  
13 exercise that the SEC plans to use to gauge  
14 the impact of fees and rebates that stock  
15 exchanges impose on brokers for taking and  
16 making liquidity available on their venues.

17 Now, this has been the subject of much  
18 debate from both sides of the issue, and it  
19 often turns into a he-said/she-said  
20 discussion over whether rebates and fees are  
21 good for investors or not.

22 You know, putting your data hat on,  
23 what do you think is the objective truth of  
24 this rebate make-or-take system as it stands  
25 today? Do you think it opens investors to

1 conflicts of interest with brokers and  
2 exchanges that may cost them when it comes to  
3 best execution, or do you think it benefits  
4 them through tighter spreads and better  
5 execution?

6 MR. JACKSON: So just -- I thought  
7 maybe we'd give a little background --

8 MR. PODKUL: Sure.

9 MR. JACKSON: -- for those who have --

10 MR. PODKUL: Definitely. This is one  
11 of those issues that needs background, for  
12 sure.

13 MR. JACKSON: Yeah, man. It took me  
14 like six months to under --

15 MR. PODKUL: Oh, same here.

16 MR. JACKSON: Yeah. So the way this  
17 basically works is the major exchanges make  
18 payments or charge fees to investors who  
19 bring trading to them. And the degree to  
20 which this -- this has been a subject of  
21 study for a long time. There's an argument  
22 that this causes a conflict. The conflict it  
23 causes is that the person who's made doing  
24 the stock trading is going to bring the  
25 transaction to the place where they get paid



1 the most instead of the place where the  
2 investor is going to get the best price. And  
3 that's going to be true except in -- to the  
4 degree the law forces them to get the best  
5 price.

6 And we have a rule about this. It's  
7 the best execution or the order of  
8 protection. These -- these rules are meant  
9 to work together to ensure investors get the  
10 best price. The problem is that they don't  
11 -- they're not very binding. So there's a  
12 lot of room, within best price there's a lot  
13 of room to make those judgments, and the fear  
14 is that there's this conflict of interest.

15 Now the question she's already asked  
16 me is what's the truth of this, is this  
17 really good or bad, and the answer -- the  
18 truthful answer is I don't know. I have no  
19 idea, which is why we're doing the  
20 transaction fee pilot because the question  
21 really is do -- are those payments necessary  
22 to create the kind of liquidity that we need  
23 to run a good stock market? The exchanges  
24 are -- have argued that it -- they are  
25 necessary. Others have argued -- powerfully,

1 I think -- that they're not necessary. We're  
2 going to test it.

3 And remember, I said earlier that  
4 because the Chairman is -- is so focused on  
5 running the place that the trains are running  
6 on time? This is something we should have  
7 done a long time ago, and we didn't because  
8 it is hard. It's hard for the SEC to come  
9 out and say, hey, we don't know whether this  
10 is good or bad for investors. We're going to  
11 -- we're going to get some data and find out.  
12 That's a hard thing for a chairman to say,  
13 but it was the right thing for him to say,  
14 and he did.

15 MR. PODKUL: Yeah.

16 MR. JACKSON: And I'll say something  
17 else, he brought in a guy, Brett Redfern,  
18 who's the director of division of trading and  
19 markets, who left -- gave up a lot here in  
20 New York to come down to Washington and run  
21 this. And he's -- look, he's trying very  
22 hard to get this right, and sometimes he goes  
23 further than I'd like; sometimes he doesn't  
24 go as far as I like. You don't agree every  
25 night, but at the end of the day he is trying

1 to get to the truth of do you need -- what  
2 kind of transaction fee, what kind of  
3 payments do you need to create the liquidity  
4 we want. And once he understands that truth,  
5 he can come up with a rule that makes more  
6 sense for investors.

7 So I really admire them, and I've been  
8 very supportive of this. I came out  
9 aggressively in favor of it, and the reason I  
10 did that is Jay and Brett are trying to do  
11 the right thing, and I want to support that.

12 Let me say one more thing about that.  
13 There's one move in this debate that really  
14 makes me mad because I just think it's wrong.  
15 The argument is to say this is a debate, this  
16 is a -- a -- a -- a food fight among very  
17 wealthy people. The exchange is on the one  
18 side who are doing great, it's the banks on  
19 the other side who are doing great, who  
20 cares? I do, and here's why.

21 Everyone in this room knows that those  
22 fees that get charged, they get taken bit by  
23 bit from investors because if you spent 15  
24 minutes on Wall Street you know if they  
25 charge a fee, whoever's paying that fee, it's

1 not them. You know that. That's getting  
2 passed on to an investor, and my problem is  
3 I'm a kid who wasn't supposed to have a job  
4 like this or go to law school, and the reason  
5 I did is because my parents put money away,  
6 and I can see that the system we have today  
7 is meant to take bit by bit -- you don't  
8 notice it, but little by little, and then you  
9 look up and it's 20 years later and you want  
10 to send your kid to college or you want to  
11 retire, and that number's not as big as it  
12 should be.

13 And for me -- that's why I care. This  
14 is not a food fight among among rich kids.  
15 This is a fundamental question over do we  
16 have a system that's fair to the Americans  
17 the markets are supposed to work for, and I  
18 think Brent and Jay are doing the right  
19 thing, and that's why I support it.

20 MR. PODKUL: Now on March 20th, the  
21 SEC unexpectedly halted part of the  
22 transaction fee pilot as the US Court of  
23 Appeals for the District of Columbia is  
24 considering legal challenges to the proposal,  
25 the big exchanges. NYSE, NASDAQ, and CBOE

1 have sued. They're trying to obviously stop  
2 the pilot from going forward, and I guess  
3 there's two ways to look at it. Either this  
4 is a big win for the exchanges, or it's a  
5 savvy move by the agency to basically go  
6 ahead with the least controversial part of  
7 the pilot, the data gathering, while the  
8 courts decide on the more controversial  
9 aspects of it. What are your thoughts on the  
10 SEC's move to lit?

11 MR. JACKSON: This is the part of my  
12 job that I hate because it's ongoing  
13 litigation, so I really can't say much about  
14 it. I'm just going to say --

15 MR. PODKUL: Still got to ask.

16 MR. JACKSON: Yeah. No, ask for sure.  
17 I'm happy to be asked. I just wish I could  
18 say more. I legitimately, seriously wish I  
19 could say more.

20 It's ongoing litigation. I think I  
21 understand -- look, the key to me is to do  
22 it, and I can tell you, there are powerful  
23 forces who would like to wait us out. Like I  
24 said, we have a few key people in good spots  
25 right now who are trying to do the right

1 thing, and I -- my concern would be delay  
2 because I don't think it's healthy for people  
3 to say, you know what, we don't really like  
4 the policy you came up with. So we're going  
5 to hire a law firm to hold you up for the  
6 next two years, and we hope we get someone  
7 else who does -- who does something we like  
8 better. I don't think that's a good way for  
9 the railroad to run.

10 As you pointed out, a very important  
11 point here is that we're still going to be  
12 able to collect the data.

13 MR. PODKUL: Right.

14 MR. JACKSON: So we haven't actually  
15 slowed down the process, and in a way that  
16 worries me yet. And I'll leave the rest to  
17 the courts and to our general counsel to work  
18 through, but fundamentally from me -- my view  
19 on the transaction fee pilot is we should  
20 have done this a long time ago. It's time to  
21 test these payments and how they really work,  
22 these fees and how they really work, and I'm  
23 going to be a guy who pushes very hard that  
24 that happens soon.

25 MR. PODKUL: One more question, and

1 we'll open it up to the Q&A from the  
2 audience. You mentioned that there's some  
3 people are saying this is just an argument  
4 between rich people on Wall Street about who  
5 should make more money, and that's almost  
6 exactly the same thing I heard when I went to  
7 the SEC in October for the roundtable on data  
8 feeds.

9 I forget who it was, but one of the  
10 round tables someone mentioned that this is  
11 -- this is not about apple pie and hotdogs.  
12 This is about BMWs versus whatever car make  
13 was -- I think it was a Maserati or whatever.  
14 But you know, that was within context of data  
15 feeds, which are another hugely controversial  
16 issue, and you know the the cost of  
17 connecting to data and acquiring data from  
18 the exchanges just keeps going up and up and  
19 up.

20 IEX has publicly disclosed its cost to  
21 provide market data and connectivity. I'm  
22 just wondering do you think other exchanges  
23 should do the same?

24 MR. JACKSON: So again I -- without  
25 commenting too specifically on things that

1 might come before me, we have said some  
2 things that are still subject to litigation  
3 about data, so I don't want to say too much  
4 about data.

5 Here's what I will say. I'm -- like I  
6 said, I started my career on Wall Street.  
7 When someone tells you, don't worry, this is  
8 not about you, I'm stealing for -- I'm  
9 fighting with somebody else over here,  
10 usually they're taking from you. And what  
11 they prefer you do is focus on this other  
12 thing over here like Mercedes and BMWs,  
13 right?

14 Like -- so to me, what frustrates me  
15 about this argument is that it's not engaging  
16 with the facts. Like if you want to say we  
17 are doing the right thing for investors, say  
18 that. This is the right system. We believe  
19 it and defend it. Instead of turning it into  
20 a political game about these are two sets of  
21 rich people fighting so don't pay any  
22 attention.

23 Look, here's my problem. Right now in  
24 our country, we have a moment where there are  
25 a lot of people who feel like what we do in



1 finance does not work for them. It's a game  
2 that's rigged against them. It's not meant  
3 to include them, and it is driving enormous  
4 -- I mean, even in my own family, it is  
5 driving an enormous divide between people who  
6 feel like they're part of that club and  
7 people who aren't.

8 And to me, there's no more hurtful  
9 argument to the progress of debate in this  
10 country than to say, don't worry about it,  
11 this is just rich people fighting. Like I  
12 don't -- I don't -- that's not an argument  
13 about whether or not we are doing the right  
14 thing for you, whether we have created a  
15 system that works for you, whether you have  
16 the market you deserve as the American  
17 public.

18 So to me, that's -- that's not an  
19 argument. That's a claim about -- that's  
20 like a political smokescreen. It's not a  
21 serious argument about the -- about the  
22 degree to which investors deserve the markets  
23 -- are getting the markets they deserve.  
24 Bless you.

25 MR. PODKUL: And with that, questions

1 from the audience. Myron, please introduce  
2 yourself who you are.

3 MR. KANDEL: I'm Myron Kandel,  
4 formerly of CNN. I have a question Cezary  
5 mentioned that you were appointed by  
6 President Trump. What he didn't say is that  
7 he had to appoint a Democrat because the  
8 Commission is usually two people in the  
9 minority party and three in the White House  
10 party, right? If President Trump was sitting  
11 here tonight he would disagree with  
12 everything you said. Okay.

13 We know very well from what we read  
14 and hear about his influence or his  
15 unhappiness with the Federal Reserve, which  
16 all of us journalists know was previously  
17 considered untouchable by politics. So my  
18 question to you is are you feeling the  
19 influence of President Trump on the work of  
20 the SEC.

21 MR. JACKSON: So we're starting with  
22 an easy one. So Myron, I -- I remember  
23 sitting in an audience like this watching a  
24 guy like -- in a job like mine talk, and I  
25 saying to myself, I wish they'd just give a

1 straight answer. So you asked a  
2 straightforward question, am I feeling the  
3 pressure of a particular White House view,  
4 and there's a yes or no answer to that  
5 question. The answer is no.

6 And I understand from the outside  
7 looking in why you might think that. I'm  
8 here to tell you that that does not influence  
9 my day-to-day work. I'm not saying it never  
10 will. I'm saying I am very fortunate to work  
11 in a building where the independence of the  
12 regulators is taken very seriously, and I  
13 work for a chairman who has a deep reservoir  
14 of respect on both sides, and I don't  
15 speculate, but also I believe at the White  
16 House so that we are permitted to make the  
17 decisions that we think are best for the  
18 market.

19 Now, if you're wondering more  
20 generally about this president's view about  
21 financial regulators' independence, et  
22 cetera, I'm happy to talk about that, but you  
23 asked about my experience, whether or not I  
24 have felt that influence, and the answer to  
25 that, Myron, is no.

1 MS. ZOBERMAN: Is this on? Yeah, I  
2 guess it is. Gail Zoberman (phonetic), I'm  
3 retired. But when you talked about  
4 separating signals good news not being  
5 wrapped in bad news et cetera, et cetera,  
6 have you had the argument, and if so, what do  
7 you say to somebody says you're infringing  
8 upon my First Amendment right to say what I  
9 want?

10 MR. JACKSON: Yeah, I get that a lot,  
11 yeah. So it's a great question. Her  
12 question basically is, look, doesn't the  
13 First Amendment permit companies to speak as  
14 they wish, and my answer to that is no.

15 In 1934, in response to the Great  
16 Depression, we made a decision that  
17 fraudulent speech was going to be limited,  
18 prohibited by federal financial regulators,  
19 and we can debate whether that was the right  
20 bargain to strike or not. I think over the  
21 last 85 years, it has served American  
22 investors and companies well.

23 But I'll put it to you this way, if  
24 the First Amendment stops me from prohibiting  
25 companies from committing fraud against the

1 American public, nine guys in robes are going  
2 to have to tell me that. And I don't think  
3 they will. I don't think they will because  
4 fundamentally, if you look at the history of  
5 the First Amendment's jurisprudence, the  
6 Court is very careful to judge to -- to make  
7 sure we abide the limits of regulating  
8 commercial speech. But it's been very clear  
9 for a very long time that the 34 Act, the 40,  
10 I mean, all the statutes that empower the SEC  
11 to act arguably infringe the freedom of  
12 speech.

13 Look, fundamentally getting someone to  
14 come out and say that they did something  
15 wrong when they'd rather not infringes their  
16 freedom of speech, but I'm okay with that.  
17 And in fact, I don't think a very thoughtful  
18 conception of speech includes that. In other  
19 words, I think of what everyone in this room  
20 does as crucial speech, central to the  
21 bargain of the Constitution. I think of  
22 political speech as very -- I mean,  
23 infringement of this, I think the courts  
24 would not abide and they're right.  
25 Journalism, same thing.

1 But fraudulent speech, telling you  
2 something that's not true, this has never  
3 been entitled to the kind of profound  
4 protection that I think we have in mind. So  
5 when people make this argument, I want to be  
6 respectful of the First Amendment. I don't -  
7 - I think it's important that the SEC not  
8 cross those boundaries, but I'm very  
9 comfortable that rules forcing companies to  
10 cleanly say we have bad news rather than  
11 bundling it with good would be within those  
12 bounds.

13 You guys are tough, so it's funny. He  
14 mentioned this. I said in a speech once that  
15 my mother teaches the second grade. As a  
16 matter of fact, this is -- she's -- 31st  
17 year she's retiring in three months. Yeah,  
18 it's crazy. What a story. And every year I  
19 go and I sit on the magic carpet, and the  
20 rule on the magic carpet is you can say --  
21 you just have to tell -- you just have to  
22 tell the truth. That's the rule on the magic  
23 carpet.

24 My guess is all of you would love to  
25 have a -- we could get a magic carpet, yeah.

1 Yeah, yeah.

2 So it's funny, over the years I go up  
3 and I get questions from the second graders,  
4 and over the years I get the -- the two --  
5 the two questions I get every year that are  
6 so hard are are you married and why not. And  
7 I figured it out. I think my mom was  
8 planting those questions. So if I could  
9 survive that, I'm happy to answer any  
10 questions you guys have.

11 MR. FRIEDMAN: Hi, William Friedman,  
12 freelance. I write mostly for Global Finance  
13 Magazine and HFM.

14 You said that you were involved in  
15 bringing public of a lot of IPOs during the  
16 dotcom boom, and now it seems like we have an  
17 echo of that with the digital asset boom, the  
18 ICOs and the cryptocurrencies and such. I  
19 appreciate your -- your sense of what's  
20 different this time, what's the same this  
21 time, and what the SEC's response is and what  
22 it might be if you could wave a magic wand.

23 MR. JACKSON: Yeah, what a great  
24 question. So he's saying you lived through  
25 the 90s dotcom boom. Now you're seeing, from

1 a different perspective, the ICO market,  
2 what's similar, what's different. So a few  
3 things.

4 So -- oh sorry. So first of all, one  
5 of the things the SEC -- so I got to say,  
6 like just spoiler alert, I'm very proud of  
7 the stuff the chairman and our enforcement  
8 guys have done on the ICO front. Say what  
9 you want, man, they have been aggressive.  
10 Like they came out, even before I joined the  
11 Commission, and said we think many of these  
12 fit the definition of a security. There were  
13 lawyers out there saying this is not even a  
14 security. You don't have to obey the  
15 securities laws. They don't even apply. And  
16 the SEC came out, I thought, really clearly  
17 and -- and said that's -- we don't -- we're  
18 not sure that's right. We're, you know,  
19 flagging this for you that you -- if you have  
20 a security, you have to follow the law.

21 They've done good work. I'll give you  
22 an example. One of my favorite things that I  
23 remember from when I was on the street and  
24 when I -- one of my favorite things since  
25 I've been with the SEC.



1           During the 90s dotcom boom -- I don't  
2   know if you -- there's no reason to remember  
3   this. The SEC at the time, which was led by  
4   Arthur Levitt, brilliant chairman, was a  
5   concern that people were not reading the  
6   prospectus. They weren't reading the -- the  
7   IPO documents. They weren't looking at it  
8   carefully.

9           So the SEC at the time did a fake IPO,  
10   like put up a registration statement that was  
11   about a fake company, and like people were  
12   calling up being like, hey, how do I invest.  
13   This sounds great. And what the SEC did was  
14   they used it as an education -- they said  
15   here are the signs that this was not real.  
16   You know, there's no earning, there's no  
17   intellectual property, there's no idea. It  
18   just says dotcom. It doesn't have anything  
19   to do with the internet. Like, that's not a  
20   thing.

21           I'm very proud of this. They said --  
22   it wasn't my -- this is -- staff are  
23   unbelievable. They did like three months  
24   into my time at the SECOND, they did a fake  
25   ICO, a fake initial coin offering. Now,

1 there's no reason for you to know this, but  
2 there's a little legal detail here that the  
3 definition of a security -- secure -- an  
4 investment contract is defined by, yeah, the  
5 Supreme Court case called Howie. And if  
6 you're a securities -- no offense, but if  
7 you're a securities nerd, you know -- right,  
8 I mean, come on. Let's -- yeah. I feel like  
9 the -- they know, man.

10 MALE VOICE: (Inaudible).

11 MR. JACKSON: So we named it Howie  
12 coin, and we did a fake ICO, and I'm telling  
13 you, man, if you google this, look on reddit  
14 there's people like, hey, this is this great  
15 idea. And then they're like, wait, maybe  
16 it's fake. And the guy -- the picture of  
17 like the -- we had a white paper describing  
18 the idea, and the picture is like the -- the  
19 guy the SEC staffer who ran it.

20 So they looked at his picture and then  
21 they compared it to LinkedIn and they're like  
22 the LinkedIn thing is like his SEC pay it  
23 was, like, I think it's the same guy. So  
24 first of all, there are a lot of  
25 similarities. I will say one difference is I

1 remember raising money in that environment,  
2 and it was -- you know, it was easier than it  
3 should have been. People weren't diligencing  
4 everything the way they should.

5 But today with the internet and social  
6 media, it's a different world, man. I mean,  
7 look, without judging any particular matter  
8 and being care -- you know, my lawyers would  
9 be upset, you know, like, there's -- I think  
10 a guy who like did something called fake  
11 coin. I mean, he named -- it was right there  
12 in the name, and I think he raised like 50  
13 million. I mean, like, it's unbelievable.

14 I feel like right now it's a moment  
15 where people -- and this is what I was trying  
16 to say before, not that artfully -- people  
17 feel like there's another game out there that  
18 they're not in. Does that make sense? And  
19 feel like that's a big part of what tempts  
20 people to get in this kind of thing. I'm  
21 missing out because I'm not -- I don't have  
22 the right friend or I don't know the right  
23 thing or I didn't go to the right school, but  
24 here, I can get in on it so I'm going to try.

25 And there's a level at which I don't

1 -- it's hard to blame them. I understand  
2 what that feels like. I understand that. My  
3 job -- our job at the SEC is to educate them  
4 and make clear that, you know, if there's an  
5 offer that would give you twice as many  
6 securities if you buy them in the next 15  
7 minutes, that -- be skeptical of that. Like  
8 that's not how Wall Street works.

9           So I think we've done a pretty good  
10 job on it. I think there are a lot of echoes  
11 in the two -- in the two eras, but one thing  
12 I'm really proud of is I think we've -- we've  
13 -- we've stepped out -- up and gotten ahead  
14 of this. I think we have a lot more work to  
15 do, but I think we're doing okay so far.

16           MR. FRIEDMAN: (Inaudible).

17           MR. JACKSON: How much time you got?

18           MR. PODKUL: Not that long.

19           MR. JACKSON: Yeah. So there are a  
20 number of sort of -- there's a number of -- a  
21 lot of background on this. I personally --  
22 to me, the most help -- we just put out some  
23 guidance on this a week or two ago. The most  
24 helpful thing, I think, our director of  
25 corporation finance, Bill Henman, gave a

1 speech about a year and a half ago that  
2 describes this. You might know the speech I  
3 have in mind.

4 Let me just quickly summarize the  
5 intellectual problem. Tell me if you  
6 disagree. The intellectual problem is to the  
7 degree that you sell a token that is meant to  
8 let somebody use existing infrastructure,  
9 many times in our past we have assumed or  
10 concluded that that's not a security.

11 Let me give you an example. Airline  
12 miles. Airline miles, you get them, they're  
13 -- they can be sold sometimes, right, like  
14 there's a way to sell them or transfer them.  
15 There's limits on that, but you can hold them  
16 with the expectation that they'll go up or  
17 down in value, but because you're using them  
18 on an existing infrastructure, which is the  
19 existing airline that you work on, and  
20 there's rules of that game, we typically tend  
21 not to think of that as a security on the one  
22 extreme.

23 On the other extreme, you have a  
24 situation where someone sells a token for  
25 infrastructure that doesn't even exist yet.

1 Does that make sense? And says give me this  
2 money so I can build this thing, and then you  
3 can use a token to use that thing. It's a  
4 different case. Why? Because look, man, I'm  
5 not against you selling a thing to raise  
6 money to build something. I just got a name  
7 for that. That's a security, like it has  
8 been thought to be a security in many -- not  
9 in every case but in many cases for a long  
10 time. That's it.

11 So the question is where do we draw  
12 that line, and how we test and the guidance  
13 we put out in this area hasn't formed that  
14 difference.

15 Now, one more thing. You -- you  
16 mentioned cryptocurrency. What's important  
17 about that is to realize that the way that  
18 cryptocurrency works when it -- and this is  
19 what Bill Henman's speech says, so I'm not  
20 adding too much -- depends fundamentally on  
21 how centralized or decentralized the  
22 underlying network is that -- that supports  
23 that currency. And that's -- that's also  
24 true in the ICO context. Bill has said a lot  
25 about that, about ways that practitioners can

1 look in that area and get a sense for whether  
2 or not we should think of that as a security,  
3 and I point people to that speech.

4 Do you think we've been clear enough  
5 about that?

6 MR. FRIEDMAN: No.

7 MR. JACKSON: Yeah, yeah, I expected  
8 you'd say that. No, let me ask you this.  
9 No, no, no, seriously, I've heard that a lot.  
10 What could we do that would be more clear?

11 MR. FRIEDMAN: (Inaudible).

12 MR. JACKSON: So let me just -- I'm --  
13 I'm -- I want to be clear because a lot of  
14 people have come in and asked us for more  
15 guidance on this, and it's not that I -- we  
16 don't want to be -- I don't want to speak my  
17 -- not that I don't want to be responsive.  
18 It's that I worry that if we make a rule  
19 today, it will make a lot less sense to the  
20 marketplace in six months in this space. Do  
21 you see what I'm worried about? And for  
22 better, for worse, the machinery of the  
23 bureaucracy of the U.S. Government works in a  
24 fashion where if I were to pitch a rule and  
25 know exactly what it was -- exactly what we

1     were -- if you and I could get a beer and  
2     agree what the rule should be, by the time it  
3     became law it'd be a year later. And by that  
4     time, the ground will have moved underneath  
5     us.

6             So that if you sense at least from my  
7     point of view of wanting to give this some  
8     time to figure out and do it by guidance as  
9     opposed to rule, that's what's driving us.

10            Now, you might say, Jackson, that's  
11     the problem. Why don't you move more  
12     quickly? And from your lips to God's ears,  
13     man.

14            MR. WENIK: Hey Commissioner, Ian from  
15     -- Ian Wenik from City Wire. So you've been  
16     a pretty persistent critic of the economic  
17     analysis underlying regulation vest interest,  
18     the broker conduct package. Does it concern  
19     you to see states get so frustrated with the  
20     pace of rulemaking that they've started  
21     introducing their own rules? Nevada had  
22     regulation off books and now New Jersey just  
23     saw (inaudible).

24            MR. JACKSON: So I'm sorry, what was  
25     your name?



1 MR. WENIK: Ian.

2 MR. JACKSON: So Ian's question is  
3 we're working on this -- do you guys know the  
4 regulation best interest backdrop? Are you  
5 familiar with this? So the basic question is  
6 what obligations does a broker owe you when  
7 they -- when they sell you financial advisory  
8 services.

9 And the problem is that it's grown up  
10 over time in a way that investment advisors  
11 have one standard under the 1940 Investment  
12 Company Act and broker dealers have a  
13 different standard under the 34 Act, and the  
14 question is what should the standard be.

15 And we proposed a rule last year that  
16 -- called Regulation Best Interest -- that  
17 attempts to raise the bar for broker dealers  
18 for what obligations they owe you when they  
19 advise you and also clarifies the standard  
20 for investment advice.

21 I think your question is -- I have  
22 been critical of the economic analysis there,  
23 and I think your question fundamentally is to  
24 what degree do I expect -- how do I expect  
25 this rule to unfold and what do I think the

1 economic advice would look like.

2 So here's my thing about this.

3 Suppose I were to say to you all we are going  
4 to raise the standard so that when a broker  
5 talks to a client, they have to be clearer  
6 about what they're selling and what it costs.

7 Is that going to affect those people's  
8 behavior, both the broker and the client?

9 What's your reaction?

10 See it's funny you should say that.

11 So I'm going to say about half of you shook  
12 your head because you're cynics, fair enough,  
13 and said it won't change anything. People  
14 won't understand, and the brokers will dance  
15 their way around it because that's what  
16 brokers do right? Is that a fair summary?  
17 Okay.

18 The other half of you said, well,  
19 actually, maybe it would because a lot of  
20 brokers want to do the right thing. They're  
21 going to ask people what the rules of this  
22 are, and they're going to say -- they're only  
23 going to make a pitch that they're allowed to  
24 make. It is what a guy like me likes to say  
25 an empirical question. This -- science can

1 answer this question, right? What you --  
2 what you should do, I think, is test it.  
3 Take a bunch of brokers, tell them this is  
4 the law, and tell another bunch that this is  
5 the law, and see how they respond. Talk to a  
6 bunch of customers. Say here's the  
7 disclosure. Give another group a different  
8 disclosure. Choose them randomly if you want  
9 to get close to the level of science  
10 required, for example, by a medical trial and  
11 see what the effects are.

12 That is what I have said we should be  
13 trying to do with regulation best interest.  
14 Not necessarily -- look, everyone who comes  
15 into my office swears they know the answer to  
16 this question. They say this won't do  
17 anything or it's too strong or it's too weak,  
18 and the hard -- the more they yell, the more  
19 I know you don't know. You don't know.

20 And by the way, what makes you think  
21 it's going to be the same for people in New  
22 York as it's going to be for people in  
23 Florida as in Nevada, and I'm making one rule  
24 for the entire nation. How am I supposed to  
25 be confident about the way those people

1 respond? And that gets to the question you  
2 really wanted to ask me, sir. He said how do  
3 you feel about the fact that states are  
4 moving forward with their own rules, in part  
5 because they're impatient about the SEC?

6 Now, I'm not sure I grant the premise  
7 that their impatience with us is what's  
8 driving their action. I think what's driving  
9 their action is they think they need to take  
10 steps to protect investors. And my view has  
11 always been that the states should do  
12 whatever -- I mean, that's -- we have a  
13 federal system. States should do whatever  
14 they think necessary to protect their  
15 investors.

16 Do I think if we came out with a  
17 strong regulation best interest that everyone  
18 in the marketplace was convinced was good  
19 enough, do I think states might defer to us?  
20 They might, but that's on us to come out with  
21 a regulation best interest that people think  
22 is the -- is really going to protect people.  
23 And my goal is to come back to you in a year  
24 with a rule that's so strong that even a room  
25 of skeptics like this could agree that we did

1 a good job. So wish me luck.

2 NATALIA: Hi, my name is Natalia. I'm  
3 a radio journalism student at New York  
4 University, Forbes contributor, and CNN  
5 business intern. My question is about  
6 collateralized loan obligations. The market  
7 for CLO is expanded over the past few years  
8 so my question is from your point of view, is  
9 there anything that should be done in terms  
10 of ratings for CLO.

11 MR. JACKSON: Ratings for CLOs.

12 MR. PODKUL: (Inaudible). What do you  
13 mean?

14 NATALIA: (Inaudible).

15 MR. JACKSON: Okay, so I'll take those  
16 -- I'll take the last question first -- oh, I  
17 always forget to do this. You didn't remind  
18 me. So my lawyers are going to be all --  
19 it's on tape. So these are only my views.  
20 It's not the other commissioners' views or  
21 the Chairman's views or my mother's views.  
22 They're only my views. I always -- it pisses  
23 me off that they make me say this because  
24 everything I've ever said in my life is just  
25 my view, like what does that even mean.

1 MR. PODKUL: (Inaudible).

2 MR. JACKSON: And of course I'm going  
3 to try and convince them, so whenever they --  
4 the lawyers make me give this caveat, these  
5 -- you can tell what kind of guy I am to work  
6 with, this is the problem with hiring a kid  
7 from the Bronx.

8 So they say I have to say these are  
9 only my views, not the views of the other  
10 commissioners. I say given enough time and  
11 wisdom, they're going to realize I was right  
12 all along.

13 So CLOS. First of all, am I concerned  
14 about the leverage implicit in the CLO market  
15 in that lending centers got loose, yes, yes.  
16 And in particular, I think -- in fact, my  
17 experience, when I talk to people on the  
18 street about it, I think that asset class  
19 actually did experience a little bit of a  
20 pause, a breather, about a year ago, and that  
21 was, I think, a very healthy market response  
22 to people feeling like they didn't fully  
23 understand what was in the box and understand  
24 the ratings.

25 Now, you asked a question about

1 ratings that I think I need to address very  
2 clearly. One of the biggest challenges in  
3 the work of the SEC right now is how little  
4 competition we have in crucial areas of our  
5 markets.

6 How many rating agencies are there?

7 MR. PODKUL: (Inaudible).

8 MR. JACKSON: How many rating  
9 agencies?

10 FEMALE VOICE: (Inaudible).

11 MR. JACKSON: You know bid two-and-a-  
12 half, ask five, it's in between, right? It's  
13 surprising to me that a market as deep as  
14 ours doesn't have more competition in that  
15 space. Stock exchanges, how many do we have?  
16 We've got 13 lit stock exchanges, public  
17 stock exchanges. Twelve of them are owned by  
18 three conglomerates. Only one actually  
19 independent stock exchange.

20 My answer to you, does it concern me  
21 what's happening -- here's what does concern  
22 me. In a -- in an industry where there's  
23 only two-and-a-half competitors, three  
24 competitors, I'm not sure there's enough  
25 competition to get investors what they

1     deserve, which is an accurate rating.

2             Now, we have an office of credit  
3     rating agency of credit ratings created by  
4     Dodd-Frank. These people are tremendous;  
5     they do great work. What they do is examine  
6     the credit rating. They go in, they ask some  
7     questions. They ask all the hard things that  
8     people felt should have been asked in '06 and  
9     '07. And they do great work.

10            But fundamentally, do I think  
11     questions from Washington will do as good a  
12     job as competition in disciplining these guys  
13     and making them give the right ratings? No,  
14     no, I think competition would do a better  
15     job, and we don't have any, and fundamentally  
16     the question we needed to ask, which is how  
17     do we get -- go from a world with three  
18     credit rating agencies to a world with ten,  
19     we didn't answer. We didn't answer.

20            Here's -- I gave a speech about this a  
21     little while ago. It's a funny thing because  
22     you think back to the creation of the -- of  
23     the SEC back to the Depression, people don't  
24     know this. The SEC was created in 1934, but  
25     the Securities Act that nerds like us think



1 about a lot, the Securities Act was passed  
2 the year before in 1933. So the regulation  
3 of securities had to go somewhere else. Do  
4 you know where it went, which agency ran  
5 securities regulation in this country before  
6 mine existed? The Federal Trade Commission,  
7 the antitrust enforcement.

8 In fact, if you look at the enabling  
9 statute of the SEC, we are supposed to  
10 consider among all the things that we  
11 regulate competition as among our priorities,  
12 but you don't ever hear us talk about the  
13 ways that the choices we made led to having  
14 fewer bulge bracket investment banks.

15 I went shopping for a job 15, 20 years  
16 ago, there were a dozen. Not anymore. Two  
17 and a half credit rating agencies, three  
18 conglomerates that run most of our stock  
19 exchanges. So my answer to you is what  
20 concerns me about this, what concerns me  
21 about ratings and CLOs but more generally is  
22 that we don't have ten people fighting like  
23 hell to get it right. Because if we did, I'd  
24 be more confident.

25 Instead, we rely on the system we

1 have, which is just two, three, four credit  
2 rating agencies overseen by Washington, and  
3 the people there do great work, but they're  
4 not perfect. They're people. And I do worry  
5 that we might wonder about whether they got  
6 the ratings right a few years from now.

7 MR. PODKUL: (Inaudible).

8 MR. JACKSON: Sure, so here's what I'd  
9 say about that. I'm a guy who worries a lot  
10 about conflicts, but there -- like, conflicts  
11 are all around us in the world, right? You  
12 go to -- after this, I'm going to dinner with  
13 my fiance, assuming she's still dating me.  
14 Yeah, such an embarrassing mistake. I'm a  
15 corporate lawyer. I left too much time  
16 between signing and closing. I got engaged  
17 like a year and a half ago, and I'm giving  
18 her a lot of time to think this thing over.  
19 It's bad.

20 I'm going to dinner with her. I'm  
21 going to ask the waiter to recommend a bottle  
22 of wine. All right. Now, the guy gets 20  
23 percent of what he sells. So is it going to  
24 be astonishing to me when he likes the --  
25 when he thinks the best bottle of wine is one

1 of the most expensive? It is not, but I  
2 understand that's the deal, and if I ask him  
3 for a recommendation, that's where this is  
4 headed.

5 Their -- issuer pays is a basic --  
6 there's conflicts all over them. And I  
7 actually -- here's my -- my problem. I don't  
8 want to be the guy who criticizes every  
9 possible way to do something. I'm not saying  
10 issuer pays is the right model. I'm saying  
11 someone's got to pay, right, so let's figure  
12 out who that is and make sure every American  
13 investor understands that conflict's in our  
14 market.

15 They go to buy a car, they go to  
16 dinner, they live in the economy, they know  
17 that fundamentally people can be conflicted.  
18 That's not fatal to the system. What's fatal  
19 is telling people that they're not  
20 conflicted, that you're their friend, that  
21 you're going to help them, that you have  
22 their interests at heart, when in fact,  
23 you're trying to get paid. That's when  
24 people, in my experience, actually feel  
25 defrauded.

1 MR. KNUCKLE: Hi, my name is John  
2 Knuckle. I'm a financial adviser and a  
3 freelance writer. I'm also a fiduciary, so  
4 the question is about the fiduciary rule and  
5 the push to lower commissions and the  
6 increased technology within -- my colleagues,  
7 we all look at it as something that's going  
8 to kill the small investment.

9 And the reason is fiduciary structure  
10 as gets paid for assets under management,  
11 percentage of assets under management, now  
12 the standard's about one percent. Technology  
13 is making three-quarters of 1 percent, a half  
14 of 1 percent, which means that if a client  
15 has \$500,000, you can make \$2,500 all year.

16 What is happening is -- and it's  
17 happened with my own firm -- is they're, in a  
18 very compliant way, saying we don't want  
19 clients with less than \$500,000. Now, these  
20 people are being -- going to be -- and it's  
21 going to increase. They're going to be  
22 pushed off to the automated systems, and on  
23 the current automated systems you can't pick  
24 up the phone and talk to a financial adviser  
25 when the market's crashing. You have to have

1 an appointment, and that's why they can  
2 afford to charge so little money.

3 So I look at this as almost like a  
4 looming crisis where -- and you're talking  
5 about, you know, cops and firemen with  
6 \$400,000 in their pension who can't get a  
7 broker because it's the Goldmans and the  
8 Merrills of the world that are put it down to  
9 a quarter of one percent or maybe for free,  
10 just so they have the money that they could  
11 use as leverage.

12 So they're going to -- these small  
13 investors, if there's a crisis or something's  
14 wrong, they're going to have no one to speak  
15 to, they're going to have no one to help  
16 them, no one to guide them, and they're going  
17 to act irrationally, and on a day when the  
18 market should go down a thousand points, it's  
19 going to go down 3,000 points. So that's --  
20 I was wondering about that.

21 MR. PODKUL: (Inaudible).

22 MR. JACKSON: No, no, no, I think  
23 that's fair. I don't mind -- no, no, no,  
24 that's fair, man. Look, let me just capture  
25 the point you -- what's your name? John. So

1 here's John's point basically.

2 Look, as it is right now, it's very  
3 difficult for an average American family who  
4 doesn't have \$4 million to invest but has got  
5 400 grand to invest to get good financial  
6 advice. Don't make it harder. I agree. I  
7 agree, man.

8 Here's the question. What can I do to  
9 get them better financial advice so that they  
10 don't take that money into an office where  
11 they get sold something that they're not --  
12 they're not suitable for. And I believe that  
13 if we do this the right way -- look, just  
14 saying you have to recommend the absolute  
15 perfect product for this person, I agree with  
16 you, people will exit the business, and  
17 that's bad.

18 And by the way, even before I was at  
19 Bear Stearns, I was at a broker -- I was at  
20 Smith Barney. Remember them? Smith Barney.  
21 I used -- what's that? Yeah, I used to work  
22 for a broker at Smith Barney. I got this job  
23 and the guy I interned for -- I used to  
24 (inaudible), like -- just like in the movie.  
25 I'd write down on the postcards, you know,

1 I'd give it to him. The guy, when I got this  
2 job, emailed me, said congratulations, don't  
3 come after me.

4 Look, I -- I think you're right about  
5 this. Here's my belief -- I believe we can  
6 come up with a rule that gets a lot of the  
7 practices out of the market that don't belong  
8 there with making sure that the people you're  
9 talking about can still get good financial  
10 advice. I believe you could do that.

11 Let me just give one -- one example,  
12 something I think is happening that I don't  
13 like that really worries me. You guys know  
14 lever -- what levered ETFs are?

15 All right, so the pitch here is, you  
16 know, instead of getting the S&P 500, get  
17 three times the S&P 500. Okay, now I have  
18 seen data suggesting that a lot of cops and  
19 firefighters and people who are 57-plus are  
20 in those products on a buy-in whole basis.  
21 They shouldn't be. They shouldn't be. The  
22 reason they shouldn't be is that the way the  
23 products get you that leverage is they're  
24 rebalanced every day, and I can show you -- I  
25 gave a statement on this not that long ago.

1 I can show you in the math that even if  
2 you're right, the market goes up, you lose  
3 half your money just on the erosion alone on  
4 the rebalancing every day.

5 So here's my concern, John. One of  
6 these cops you're talking about goes into an  
7 office, says, look, I've got four hundred,  
8 I'm short. I'm getting ready to retire,  
9 okay? Four hundred is not going to make it.  
10 I don't need the S&P. I need three times.  
11 So he buys it, and lo and behold, it's a nine  
12 year bull run. And the guy opens his  
13 envelope in eight years, he turns to his wife  
14 and says we're in great shape, and he looks  
15 at it, it's half the money.

16 My view is we can and should say  
17 that's not appropriate for that guy, and that  
18 doesn't mean he can't get financial advice,  
19 but we can and should come out and say this  
20 is not a product he should be in. And I  
21 think that's the SEC's job. A hundred  
22 percent? Just because you can't sell them a  
23 3x?

24 So look, here's what I'll say. You've  
25 had to do that on the law we have now. It's



1 not because of regulation best interest or  
2 the fiduciary rule. What you're saying to me  
3 is be care -- pay attention to the costs of  
4 providing this advice because if -- his point  
5 is a very powerful one. See what he's  
6 saying. What he's saying is if those costs  
7 rise, it's not -- rich people are still going  
8 to get financial advice. Those aren't the  
9 people you hurt, he's saying. He's saying  
10 you hurt people who really need it, and I  
11 hear you, and I think everyone on the  
12 Commission does actually.

13 MR. CARROLL: I'm Larry Carroll  
14 (phonetic) of (inaudible) Investor's Business  
15 Daily, and I was curious, a lot of companies  
16 have tried to have Bitcoin ETFs, and the SEC  
17 keeps shooting them down, and I was wondering  
18 what's the main reason that the SEC doesn't  
19 like Bitcoin ETFs.

20 MR. JACKSON: Bitcoin ETFs, so I got  
21 in trouble about -- like you can tell a lot,  
22 yeah. So we had a proposal from the  
23 Winklevoss brothers to -- to do a Bitcoin  
24 ETF, and we rejected that proposal. One of  
25 my colleagues dissented and said, you know,

1 we should let a thousand flowers bloom, and  
2 if investors don't like this product, then  
3 you know, if they invest and lose money you  
4 know, them's the breaks.

5 I thought that was a very easy case,  
6 and let me say why. The -- at the market we  
7 looked at in that particular ETF was the  
8 underlying asset was traded offshore in a  
9 very untransparent market with very thin  
10 volume, and we said in our decision -- I  
11 thought this was right -- that when you look  
12 at volume that thin such that the price can  
13 be manipulated and pushed around by someone  
14 with not a lot of money, that's an investor  
15 protection problem that we're not prepared to  
16 let an ordinary American investors get  
17 exposed to.

18 And the thing to understand about  
19 ETFs, the benefit and the downside of ETFs,  
20 is they are very easy to trade, right, that's  
21 the whole idea. Are you -- you don't even  
22 need to set up a separate fidelity account,  
23 nothing like that, right. BD account, seven  
24 bucks, you're in, you're out. That's what an  
25 ETF is, and I was a very uncomfortable.

1           Now, people -- someone asked me once  
2   how do you think about that, and I said the  
3   way I think about it is imagine my -- my mom  
4   and dad, it's the Bronx, it's like 1979,  
5   they've taken that 20 bucks and putting it in  
6   whatever. And what I have -- you know, that  
7   was the money that was going to eventually  
8   send me to college. Would I have wanted that  
9   in a Bitcoin ETF, and I said hell no.

10           And then apparently I -- I said hell  
11   no, and my mother, Robert, stop cursing. But  
12   I got to be honest with you, man, like do I  
13   really think that's a product that that  
14   market is at a stage of maturity where we  
15   should be putting ordinary American investors  
16   in? I'm not convinced of that.

17           Let me say something else, though.  
18   I'm willing to be convinced of it. So if you  
19   show me a transparent market that trades  
20   Bitcoin on a liquid basis that is always that  
21   -- sort of easy to oversee where I understand  
22   the value of the asset, where it's like an  
23   equity or fixed income instrument, I'm not  
24   saying we should pick and choose the products  
25   people can invest in. That's not what we do.

1           What we do is we make sure that  
2   they're not going to get manipulated against,  
3   that they're not going to get taken advantage  
4   of, and that the things they trade are going  
5   to be reflected in prices that actually  
6   reflect the value of the thing that they own,  
7   and that's what, in my view, that proposal  
8   didn't do.

9           But if someone brings a proposal like  
10   that to us that does that, I believe we'll  
11   approve it.

12           MALE VOICE: Thanks. My name is  
13   (inaudible) with the Columbia Journalism  
14   School. This is more a down-to-earth  
15   question, but I was looking at the 2020  
16   (inaudible) appropriations and you guys are  
17   counting with like a 30 percent increase in  
18   securities trading, but you guys are going to  
19   get only like a five percent budget increase.  
20   Do you think that like your agency's, like  
21   increasingly underfunded, and like, you know,  
22   if so, like, what the -- what way does that  
23   affect you?

24           MR. JACKSON: So the question is are  
25   we underfunded. So again, I try to be as

1 straightforward a guy as I can, and you can  
2 tell them I'm not long for politics. Are we  
3 underfunded? Yes, end of answer. Yes.

4 So we oversee trillions upon trillions  
5 of dollars in securities trading. The people  
6 that we oversee are some of the smartest,  
7 fastest, most strongly financially motivated  
8 people on earth. The idea that we should be  
9 able to do that with staff cuts makes no  
10 sense.

11 I think our Chairman has done a very  
12 admirable job in very difficult budget  
13 circumstances -- I mean, a lot of agencies  
14 CFTC, for example, have faced significant  
15 cuts at a time where they really do need as  
16 much support as they can get.

17 Fundamentally, I'll tell you we were  
18 shut down back in January, and without saying  
19 anything about the shutdown, here's what I'll  
20 say. It is fundamentally not a good thing  
21 that the SEC shuts down in this way, and you  
22 can ask any company that wanted to go public  
23 during that window or anybody who faced  
24 enforcement action or anybody who's in our  
25 markets during that window --

1 MALE VOICE: (Inaudible).

2 MR. JACKSON: That was a bad thing,  
3 destructive for the agency, bad for the  
4 markets, and here's what I'll say about it.  
5 It raises in my mind a real question about  
6 whether the SEC shouldn't be funded  
7 independently of the appropriations process  
8 and in the style of the Fed. I wouldn't be  
9 the first person to say that. I'm saying  
10 it's a question. I'm not the first person to  
11 raise it.

12 But I can tell you if you want to know  
13 my experience with it, what I saw was a  
14 market, by the way, that was in December a  
15 very volatile place to be, and I saw 4,000  
16 amazing public servants who wanted to engage  
17 in all the things we needed to do but who  
18 couldn't come to work. And I saw that very  
19 up close and personal in a way that changed  
20 my mind about -- I mean, the appropriations  
21 process has its benefits. I'm all for  
22 accountability. But I saw those costs up  
23 close, man, and it's got me thinking about  
24 whether we should be independently funded.

25 MALE VOICE: (Inaudible).

1 MR. JACKSON: Or the Fed, which is  
2 funded on an independent, ongoing basis by  
3 fees. You know, and I can think of lots of  
4 models for this, and this is above my  
5 paygrade, and the budget request is really  
6 the Chairman -- and I have to say. I saw the  
7 article -- there was an article that pointed  
8 to the increase in securities trading and the  
9 relatively small increase in our budget. I  
10 totally hear you guys.

11 I think we have managed to do  
12 reasonably well if you compare us to other  
13 agencies in the government, and one reason  
14 that is, by the way, is that I think our  
15 value proposition has become clearer and  
16 clearer, especially with the chair we have  
17 now. I think we've -- we've done -- he's  
18 done really well there.

19 But if I'm being honest, do I think  
20 that the financial markets and the -- their  
21 principal overseer should be subject to the  
22 whims of the appropriations process, I think  
23 that's -- that can be dangerous, and I saw  
24 that up close, man. So I'm wondering whether  
25 that's something we should be thinking about

1 reforming.

2 MS. KELLER: I know we're very short  
3 on time here and probably this has to be the  
4 very last question, so just very briefly  
5 Laura Keller (phonetic), former Bloomberg and  
6 board member here at Financial Writers.

7 So maybe this touches on some of the  
8 themes that you've talked about tonight,  
9 which is a lot about retail investors. I  
10 feel like you've been kind of figuring out  
11 the gray zones whether it's ICOs or the  
12 broker protocol.

13 But one thing I haven't heard you talk  
14 much about is the sort of world of the more  
15 shrouded, the investor market, you know where  
16 you have, whether you talk about securities  
17 that aren't securities. So loans, for  
18 example. What are you trying to do to kind  
19 of eliminate some of the gray areas in, say,  
20 hedge funds or private debt markets where  
21 you're not really seeing that retail investor  
22 be harmed, but there are other people who  
23 might be?

24 MR. JACKSON: It's a great question.  
25 I'll wrap up. So her question is there are a



1 lot of markets out there that aren't so  
2 retail-centric but still really matter to the  
3 markets, and I actually would say just to  
4 push back a little on the premise of the  
5 question, fundamentally if a pension fund  
6 gets hurt or reach -- someone -- a person  
7 gets hurt, right, if an institution gets hurt  
8 end up -- whether it's a hedge fund,  
9 whatever, someone's the claimant to that  
10 money.

11 FEMALE VOICE: (Inaudible).

12 MR. JACKSON: Yeah.

13 FEMALE VOICE: (Inaudible).

14 MR. JACKSON: Yeah. I think about  
15 this a lot, and there are whole segments of  
16 the market that we don't oversee as a formal  
17 matter, and we ought to be thinking -- and I  
18 -- we are thinking about the degree to which  
19 those markets are really working right.

20 Let me give you an example of an area  
21 where I think we did really good work. So  
22 for years, you did distress debt, but I don't  
23 know if there are private equity reporters  
24 here. But for years, private equity funds  
25 charged their portfolio companies a

1 monitoring fee. You don't remember those,  
2 monitoring fees?

3           It's like we invested money and now  
4 we're going to watch it and charge you, the  
5 company. And those fees were very common in  
6 the market for like ten years until our asset  
7 management unit, not that long ago, probed  
8 the degree to which they were disclosed and  
9 people really understood them. And we got  
10 better information out into the marketplace,  
11 investors began to say, really, you're  
12 charging me to watch your money, no, and the  
13 market worked -- and I think there's a lot of  
14 stuff like that we can and should be doing.

15           And I would say I'm a guy who very  
16 much thinks that if you don't deter those  
17 kinds -- if you don't deter fraud in those  
18 markets, you're missing a big part of the  
19 story that really affects ordinary retail  
20 investors. It's very easy to -- it's not  
21 very easy. These cases are really important,  
22 but when you have an obvious retail victim to  
23 understand why you have to go after that --  
24 that case, it's a little harder to understand  
25 why it's really important to send a big

1 message to the marketplace when an  
2 institution does something wrong.

3 But to me, actually, that's the case  
4 for really hitting somebody hard. Because if  
5 you're a sophisticated institution and you  
6 know it's a gray area and you know what the  
7 right thing to do is and what the market  
8 expects and you don't get it right, that  
9 should be costly at the SEC. We should leave  
10 no doubt in your mind whether it was  
11 profitable to walk that line.

12 And I'm actually -- I've been a guy --  
13 I haven't said too much about this yet, but I  
14 plan to give a speech on it in the coming  
15 months. I'm a guy who is very much in favor  
16 of aggressive penalties, and this is why  
17 because my experience is people follow their  
18 incentives. And if you catch somebody  
19 stealing a little bit of the time and go  
20 light on them when you do, you make it  
21 profitable to steal.

22 And again, I don't get mad at the guy  
23 for stealing. That's not his fault. He's  
24 got kids too right? No, he's just doing what  
25 your allowing him to do. To me, one thing we

1 have to get better at is when we catch an  
2 institution doing something wrong to make it  
3 hurt, to make them feel like, look, who knows  
4 if they'll get us this time, but if they do,  
5 man, it'll be painful.

6 And I think -- look, to the great  
7 credit of the people I work with now, they  
8 understand that. They want to do -- they  
9 want to make that clear, but every time we  
10 get -- send any mixed message to the market  
11 about whether we're going to be serious about  
12 penalizing large institutions or gray areas  
13 of the market, I think we do investors a  
14 disservice.

15 MR. PODKUL: There's a great book on  
16 that subject the Chicken Shit Club, and one  
17 could write a book on many of the things we  
18 talked about tonight, but of course we don't  
19 have time for that tonight. So one last  
20 closing thought from you is since you're in a  
21 room full of financial journalists in the  
22 world's financial capital, what is -- is  
23 there any one or two subjects that you think  
24 aren't being covered enough that financial  
25 journalists should be paying attention to,

1 writing more of? What would you -- what  
2 would that be?

3 MR. JACKSON: So the question is if I  
4 could get you guys to cover one thing that's  
5 not getting enough ink.

6 MR. JACKSON: That's not getting  
7 enough ink. Tesla. No, just kidding.

8 MR. PODKUL: Who is it that said  
9 Tesla? Tesla did come up?

10 MR. JACKSON: Tesla's not the correct  
11 answer to that question.

12 MALE VOICE: (Inaudible).

13 MR. JACKSON: Dark pool --  
14 interesting. I feel like that's gotten some.

15 So cybersecurity, and I say with all  
16 respect to the people in the room, to me this  
17 is the thing we'll look back at ten years  
18 from now and be like why didn't we, I think,  
19 talk more about this. I go to every  
20 boardroom I talk to these guys are concerned  
21 about it. Like these are boards who are  
22 trying to do the right thing, and the thing  
23 you need to understand is that every single  
24 American public company is under attack for  
25 its data 24 hours a day, 7 days a week, 365

1 days a year, and if they lose, millions of  
2 Americans' data's lost in a way that will  
3 seriously hurt them in their day to day lives  
4 and more importantly will undermine their  
5 confidence in giving information about who  
6 they are and what they want to companies.

7 Companies are trying to fight this  
8 every day, and there are state-sponsored  
9 actors, there are people who are trading on  
10 information based when they -- when they  
11 hack. And to me, how companies will be able  
12 to address this is like the defining  
13 challenge in the boardroom for the next five  
14 years. And the reason I think it's hard to  
15 write about is that when you write about it,  
16 typically what happens is someone gets  
17 hacked. And you write about the hack, and  
18 it's a lot less interesting to talk about  
19 what they could do to prevent it or what the  
20 -- what as a nation we should be thinking  
21 about doing in order to deal with these  
22 problems.

23 Let me say -- I know we're over but  
24 one more thing about this. Like here's a  
25 thought to go home. We have a bunch of very

1 large companies that have lots of data on who  
2 we are, and those are the stories -- I  
3 understand those stories get print -- they  
4 make sense. But the way the data is used in  
5 the American economy, if a mid-sized company  
6 is hacked, that could hurt ordinary Americans  
7 just as much, or small companies hacked, they  
8 could have access to just as much important  
9 data. That's what's scary to me.

10 Google, I'm sure, without speaking of  
11 Google -- a hypothetical company like Google  
12 -- is on the cutting edge of protecting  
13 itself. I'm not so worried -- I'm worried  
14 about the mid or small-sized company that's  
15 got people's Social Security numbers that  
16 could get hurt, and they are not going to be  
17 able to make the investment that Google can  
18 in protecting that information.

19 And my question for all of you is  
20 shouldn't we be thinking as like a  
21 marketplace about what we want to ask those  
22 companies to do to protect themselves. I  
23 think in a few years we'll look back and say,  
24 boy, we should have been more demanding about  
25 getting company -- getting answers to those

1 questions, like what are you doing about  
2 this, what are the investments, what are you  
3 worried about, what are the risks? We should  
4 be getting more disclosures about when  
5 companies get hacked and how that affects  
6 ordinary people.

7 I've been a guy that's pushed very  
8 hard for that and I'm -- I hope the press  
9 will continue to dig into it because I think  
10 it's going to be very important.

11 MR. PODKUL: And with that, we'll  
12 leave it there. Thank you so much for  
13 joining us. We really appreciate it. Yeah,  
14 with that we're out of time, but the -- but  
15 the open bar remains open for business. So  
16 please continue to mingle and network and see  
17 you at our next event. Thanks.

18 (End of Audio Recording.)  
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## CERTIFICATE

I, Wendy Sawyer, do hereby certify that I was authorized to and transcribed the foregoing recorded proceedings and that the transcript is a true record, to the best of my ability.

DATED this 25th day of August, 2021.



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WENDY SAWYER, CDLT